

# Sample Cost Allocation Plan

[Grantee Name]

Cost Allocation Plan

Nonprofit

*Nonprofit organizations may use the following model Cost Allocation Plan (CAP) as guidance. The CAP should be tailored to fit the specific policies of each organization. If your organization's policies are different in any of the categories, please specifically identify the methodology used. Although there are different methodologies available for allocating costs, the methodology used should result in a reasonable and equitable distribution of administrative costs to all bond funding organizations and/or across all grants the organization is administering. Recipients must have a system in place to equitably distribute costs. Considerations in determining an appropriate base for allocating costs include the relative benefits received, the materiality of the cost, and the amount of time and cost to perform the allocation.*

[Grantee Name]

## **COST ALLOCATION PLAN**

The purpose of this cost allocation plan is to summarize, in writing, the methods and procedures that this organization will use to allocate administrative costs to various programs, grants, contracts and agreements.

Direct costs are those that can be identified specifically with a particular final cost objective. Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective.

Only costs that are allowable, in accordance with the cost principles, will be allocated to benefiting programs by [Grantee Name].

The general approach of [Grantee Name] in allocating costs to particular grants and contracts is as follows:

- A. All allowable direct costs are charged directly to programs, grants, activity, etc.
- B. Allowable direct costs that can be identified to more than one program are prorated individually as direct costs using a base most appropriate to the particular cost being prorated.
- C. All other allowable general and administrative costs (costs that benefit all programs and cannot be identified to a specific program) are allocated to programs, grants, etc. using a base that results in an equitable distribution.

## **ALLOCATION OF COSTS**

The following information summarizes the procedures that will be used by [Grantee Name] beginning [Month/Day/Year]:

- A. **Compensation for Personal Services** – Documented with timesheets showing time distribution for all employees and allocated based on time spent on each program or grant. Salaries and wages are charged directly to the program for which work has been done. Costs that benefit more than one program will be

allocated to those programs based on the ratio of each program's salaries to the total of such salaries (see Example 1 below). Costs that benefit all programs will be allocated based on the ratio of each program's salaries to total salaries (see Example 2 below).

1. Fringe benefits (FICA, UC, and Worker's Compensation) are allocated in the same manner as salaries and wages. Health insurance, dental insurance, life & disability and other fringe benefits are also allocated in the same manner as salaries and wages.
2. Vacation, holiday, and sick pay are allocated in the same manner as salaries and wages.

**B. Travel Costs**

Allocated based on purpose of travel. All travel costs (local and out-of-town) are charged directly to the program for which the travel was incurred. Travel costs that benefit more than one program will be allocated to those programs based on the ratio of each program's salaries to the total of such salaries (see Example 1 below). Travel costs that benefit all programs will be allocated based on the ratio of each program's salaries to total salaries (see Example 2 below).

**C. Professional Services Costs** (such as consultants, accounting and auditing services)

Allocated to the program benefiting from the service. All professional service costs are charged directly to the program for which the service was incurred. Costs that benefit more than one program will be allocated to those programs based on the ratio of each program's expenses to the total of such expenses (see Example 3 below). Costs that benefit all programs will be allocated based on the ratio of each program's expenses to total expenses (see Example 4 below).

**D. Office Expense and Supplies** (including office supplies and postage)

Allocated based on usage. Expenses used for a specific program will be charged directly to that program. Postage expenses are charged directly to programs to the extent possible. Costs that benefit more than one program will be allocated to those programs based on the ratio of each program's expenses to the total of such expenses (see Example 3 below). Costs that benefit all programs will be allocated based on the ratio of each program's expenses to total expenses (see Example 4 below).

**E. Equipment**

[Grantee Name] depreciates equipment when the initial acquisition cost exceeds \$x,xxx. Items below \$x,xxx are reflected in the supplies category and expensed in the current year. Unless allowed by the awarding agency, equipment purchases are recovered through depreciation. Depreciation costs for allowable equipment used solely by one program are charged directly to the program using the equipment. If more than one program uses the equipment, then an allocation of the depreciation costs will be based on the ratio of each program's expenses to the total of such expenses (see Example 3 below). Costs that benefit all

programs will be allocated based on the ratio of each program's expenses to total expenses (see Example 4 below).

**F. Printing** (including supplies, maintenance and repair)

Expenses are charged directly to programs that benefit from the service.

Expenses that benefit more than one program are allocated based the ratio of the costs to total expenses. Costs that benefit more than one program will be allocated to those programs based on the ratio of each program's expenses to the total of such expenses (see Example 3 below). Costs that benefit all programs will be allocated based on the ratio of each program's expenses to total expenses (see Example 4 below).

**G. Insurance**

Insurance needed for a particular program is charged directly to the program requiring the coverage. Other insurance coverage that benefits all programs is allocated based on the ratio of each program's expenses to total expenses (see Example 4 below).

**H. Telephone/Communications**

Long distance and local calls are charged to programs if readily identifiable.

Other telephone or communications expenses that benefit more than one program will be allocated to those programs based on the ratio of each program's expenses to the total of such expenses (see Example 3 below). Costs that benefit all programs will be allocated based on the ratio of each program's expenses to total expenses (see Example 4 below).

**I. Facilities Expenses**

Allocated based upon usable square footage. The ratio of total square footage used by all personnel to total square footage is calculated. Facilities costs related to general and administrative activities are allocated to program based on the ratio of program square footage to total square footage (see Example 5 below).

**J. Training/Conferences/Seminars**

Allocated to the program benefiting from the training, conferences or seminars.

Costs that benefit more than one program will be allocated to those programs based on the ratio of each program's salaries to the total of such salaries (see Example 1 below). Costs that benefit all programs will be allocated based on the ratio of each program's salaries to total salaries (see Example 2 below).

**K. Other Costs** (including dues, licenses, fees, etc.)

Other joint costs will be allocated on a basis determined to be appropriate to the particular costs. (Grantee should describe methodology for applicable costs).

### **EXAMPLE 1 & 2**

#### *Allocation of Costs: Compensation for Personal Services, Travel, and Training/Conferences/Seminars*

##### **Example 1:**

Costs that benefit two or more specific programs, but not all programs, are allocated to those programs based on the ratio of each program's personnel costs (salaries & applicable benefits) to the total of such personnel costs, as follows:

**Expense Amount = \$5,000**

<b>Grants</b>	<b>Personnel Costs</b>	<b>Percent</b>	<b>Amount Allocated</b>
Grant A	\$ 20,000	20%	\$1,000
Grant B	\$ 30,000	30%	\$1,500
Grant C	\$ 50,000	50%	\$2,500
<b>TOTAL</b>	<b>\$100,000</b>	<b>100%</b>	<b>\$5,000</b>

##### **Example 2:**

Costs that benefit **all** programs are allocated based on a ratio of each program's personnel costs (salaries & applicable benefits) to total personnel costs as follows:

**Expense Amount = \$10,000**

<b>Grants</b>	<b>Personnel Costs</b>	<b>Percent</b>	<b>Amount Allocated</b>
Grant A	\$ 20,000	20%	\$2,000
Grant B	\$ 30,000	30%	\$3,000
Grant C	\$ 50,000	50%	\$5,000
<b>TOTAL</b>	<b>\$100,000</b>	<b>100%</b>	<b>\$10,000</b>

### **EXAMPLE 3 & 4**

*Allocation of Costs: Professional Services, Office Expenses and Supplies, Equipment, Printing, Insurance, and Telephone/Communications*

#### **Example 3:**

Costs that benefit two or more specific programs, but not all programs, are allocated to those programs based on the ratio of each program's expenses (direct costs other than salaries & benefits) to the total of such expenses, as follows:

**Expense Amount = \$4,000**

<b>Grants</b>	<b>Program Costs</b>	<b>Percent</b>	<b>Amount Allocated</b>
Grant A	\$ 20,000	20%	\$800
Grant B	\$ 30,000	30%	\$1,200
Grant C	\$ 50,000	50%	\$2,000
<b>TOTAL</b>	<b>\$100,000</b>	<b>100%</b>	<b>\$4,000</b>

#### **Example 4:**

Costs that benefit **all** programs will be allocated based on a ratio of each program's salaries to total salaries as follows:

**Expense Amount = \$8,000**

<b>Grants</b>	<b>Salary Costs</b>	<b>Percent</b>	<b>Amount Allocated</b>
Grant A	\$ 20,000	20%	\$1,600
Grant B	\$ 30,000	30%	\$2,400
Grant C	\$ 50,000	50%	\$4,500
<b>TOTAL</b>	<b>\$100,000</b>	<b>100%</b>	<b>\$8,000</b>

### **EXAMPLE 5**

#### *Allocation of Costs: Facilities Expenses*

Facilities costs are allocated based on square footage. Square footage for each program and general and administrative activity is considered in the analysis. General and administrative facilities costs are further allocated to each program based on the square footage of each grant program to the total square footage of all grant programs. The calculation is as follows:

**Expense Amount = \$10,000**

#### **Entire Facility:**

<b>Grants</b>	<b>Personnel Costs</b>	<b>Percent</b>	<b>Amount Allocated</b>
Grant A	\$ 20,000	20%	\$2,000
Grant B	\$ 30,000	30%	\$3,000
Grant C	\$ 50,000	50%	\$5,000
<b>TOTAL</b>	<b>\$100,000</b>	<b>100%</b>	<b>\$10,000</b>

#### **Section of the Facility:**

<b>Grants</b>	<b>Personnel Costs</b>	<b>Percent</b>	<b>Amount Allocated</b>
Grant A	\$ 20,000	13%	\$1,300